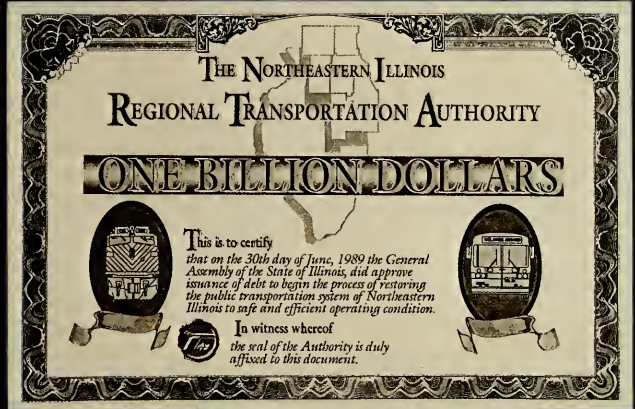


Regional Transportation Authority

1989 Annual Report

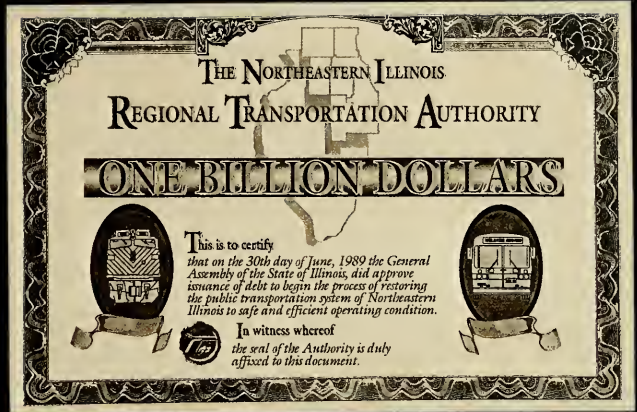


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Regional Transportation Authority

1989 Annual Report



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Annual Report

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1989 was a year of building for the RTA—of building mechanisms and relationships which will allow for the more tangible building to follow—that which will make of a deteriorating, urban transportation system of the 19th Century, a healthy and modern resource for the integrated region of the 21st.







The Chairman's Message

The Honorable James R. Thompson
Governor
and
The General Assembly
of the State of Illinois

1989 was a momentous year for the Regional Transportation Authority.

In 1989, the RTA completed its Regional Plan for Transportation of the Disabled, establishing guidelines by which 120,000 disabled citizens will gain access to mainline public transportation. In 1989, the RTA continued to seek creative solutions to the transportation needs of developing markets. And, once again, the RTA operated within its budget and met its mandatory farebox recovery ratio.

But, without question, the signal event of 1989 for the Regional Transportation Authority was the General Assembly's approval of \$1 billion in bond authorization to begin the capital rehabilitation of the RTA system.

In responding to the RTA's capital needs, needs estimated to exceed \$8 billion in current dollars, the Legislature sent a vote of confidence in our ability to use these funds wisely and efficiently. Fulfilling this expectation is a challenge that the RTA has been eager to meet. It is, however, a challenge that should not be underestimated. Because these additional funds will effectively double the size of the RTA's capital program over the next five years, the work of preparing to spend these funds requires an entirely new approach to our capital program.

It is this work, the business of preparing to spend money, that we have chosen as the focus for this annual report. It is an arcane undertaking, but one of the utmost importance to our endeavor. The impact of the Legislature's investment in the RTA will be directly proportional to the care and foresight that goes into planning its use. The RTA is committed to ensuring the maximum return on these dollars. Before the first bridge is rebuilt, we will have spent several million dollars on engineering studies to ensure that we rebuild the right bridges. Such studies will pay for themselves many times over by targeting this first \$1 billion where it is needed the most and laying the groundwork for future investment.

This program is, and will remain, the absolute highest priority of the RTA. We believe that we will succeed in our goals and we are confident that our performance will merit the continued support of our riders, the public, and our representatives.



Gayle M. Franzen
Chairman

**Regional Transportation Authority
Board of Directors**

**Gayle M. Franzen,
Chairman**

**Martin R. Binder
Jerry D. Boose
Clark Burrus
Pastora San Juan Cafferty
Charles G. Dalton
Sidney Danoff
David L. DeMotte
Kathleen K. Parker
Philip Raffe
Jacqueline B. Vaughn
William D. Walsh
Rev. Addie Wyatt**

**Theodore G. Weigle, Jr.
Executive Director**

**Metra
Board of Directors**

**Jeffrey R. Ladd,
Chairman**

**Lowell E. Anderson
Jonathan B. Gilbert
Stanley J. Hallett
W. Warren Nugent
Gerald L. Porter
Donald A. Udstuen**

**James Cole,
Executive Director**

**Pace
Board of Directors**

**Florence Boone,
Chairman**

**Abner Ganet
Henry Klosak
Charles Panici
Lorraine Popelka
Vernon T. Squires
Chester Stranczek
Richard L. Verbic
Glenn Warning
Carl Wehde
Richard Welton
Charles Zettek**

**Joseph DiJohn,
Executive Director**

**CTA
Board of Directors**

**Clark Burrus,
Chairman**

**James I. Charlton
Natalia Delgado
J. Douglas Donenfeld
John J. Hollen
Milton Holtzman**

**Alfred Savage,
Executive Director**



There are three critical dates in the history of the Northeastern Illinois Regional Transportation Authority.

The first of these is December 12, 1973, the date on which the Illinois General Assembly created the RTA for the purpose of coordinating public mass transportation in the six-county region. The second crucial date is November 9, 1983, when the legislature reorganized the RTA's operating and funding structures into their present, highly successful configurations.

The third pivotal date in RTA history occurred last summer, on June 30, 1989, when the General Assembly authorized issuance of up to \$1 billion in bonds to begin the extensive process of rehabilitating the region's public transportation infrastructure.

Taken separately, these three actions of the Illinois legislature appear to be ad hoc measures, necessitated by crisis. Taken together, however, they show a pattern of measured response to historical forces.

June 30, 1989 marked the end of one era in Illinois's public transportation history and, inevitably, the beginning of another.

The era concluded was that of transit decline and decay, a 45-year period that witnessed a revolutionary transformation of American life, work and travel. The era begun was that of public transportation's renewal—the period leading to the 21st Century and beyond, in which we reclaim our extensive transit resources and enhance them to serve markets undreamed of when they were built nearly a century ago.



There were, in fact, two eras concluded on June 30, 1989, and two begun.

The second ending was of a relatively brief period, but one of intense activity for the RTA. This was the era of the Strategic Plan, during which the RTA stabilized its financing and that of its service boards, identified its needs, formulated a blueprint for their resolution, and brought its case to the public. The second beginning was of the Capital Program, when thinking and talking became doing.

This four-year period began with a pair of important studies. The first analyzed the RTA's competitive environment and suggested appropriate strategies for the development of each market segment served by public transportation. The second study examined the RTA's physical plant, assessed its fitness for safe and efficient operation, and identified the size and nature of our capital investment requirements.

Proceeding from these findings, the RTA's Board of Directors took the second important step in the system's revitalization—the creation of its Strategic Plan. The Plan, crafted throughout 1987 and adopted in early 1988, defined the RTA, identified its mission, and provided a strategic framework through which that mission could be accomplished. The Strategic Plan committed the RTA:

- To base capital and operating decisions upon demand for service.
- To bring its capital assets to good condition by the year 2000 and to maintain them within funding limits and in accordance with market demand.
- To minimize the cost per unit of service while maintaining or improving the quality of service.
- To ensure timely and predictable funding through comprehensive

**Clark Burrus, Chairman,
Chicago Transit Authority**

“This capital program, the largest in the history of Illinois mass transportation, will go a long way toward restoring the physical health of the CTA. This relief is sorely needed. When this program is completed we will be on the way to returning this system to the preeminent position it once enjoyed in the American transit industry.”



financial planning. And, • To build the political, legislative and public support necessary to implement the Strategic Plan.

Our strategic planning process, the most extensive to be undertaken by a major American transportation authority, gave the RTA a new understanding of the business it ran, of the environment in which it operated, and of the pressures exerted upon it by that environment.

It also made clear to the RTA exactly how large, critical and daunting a challenge it faced. In 1987 it was determined that more than \$6 billion would be required to restore the deteriorating segments of the RTA system to “good” operating condition. In current dollars that need now exceeds \$8 billion.

To accomplish its most important objective, then, the RTA would need to at least double its capital spending, which had decreased to approximately \$250 million per year. This amount was not only inadequate to undertake major reconstruction, but was insufficient to conduct even routine capital maintenance on the \$15 billion RTA system. The shortfall would not be made up by the federal government, which was drastically decreasing its support of mass transit; and it could not be successfully extracted from farebox revenues—the doubling of fares required would decimate RTA ridership, exacerbate already untenable automotive congestion, and price transit beyond the means of those who need it most.

As demonstrated by the state of New York, which has already committed more than \$12 billion to rehabilitation of New York City’s Metropolitan Transportation Authority and which is contemplating appropriation of

**Architects of the RTA
Capital Program (left to
Right): Terry Brannon,
Pace; John J. Gaudette,
RTA Director of Program
and Capital Development;
Gerald Hoff, Metra; David
Hillock, CTA.**



**Jeffrey R. Ladd
Chairman, Metra**

**"The Illinois General
Assembly and the Governor
are often criticized. But if
they hadn't recognized the
RTA's pressing capital
needs and authorized a
billion dollars in revenue
bonds, public transit in
northeastern Illinois would
fade quickly from the
prominence it has long
enjoyed. Our capital needs
are great, and our elected
officials understand this."**

\$12 billion more, local transportation is now and, for the foreseeable future, will be primarily dependent upon local funding.

Recognizing this new political reality, the RTA took its case to the General Assembly and to the public. Recognizing the urgency of the RTA's need, both responded. The \$1 billion dedicated by the General Assembly will allow the RTA to begin its long-term program of capital rehabilitation.

Management

The Regional Transportation Authority and its service boards—Pace, Metra and the Chicago Transit Authority—do their work with massive, heavy equipment: with 14-ton buses, and 130-ton locomotives, and rail cars that carry 150 passengers at a time.

The work for which the RTA is preparing, the replacement and reconstruction of dozens of bridges, miles of track, and hundreds of girders and supports, also requires heavy machinery: cranes, and back hoes, and drill bits as tall as a man.

But the work which must be done first—the work that will keep the rolling stock rolling and get the earth movers moving—is done with much humbler tools: with telephones, and personal computers, and pencils. For the first jobs in the RTA's rehabilitation process are the undramatic, yet extremely complex, ones of planning, and negotiating, and—of the utmost importance now—issuing the billion dollars in debt which will become a billion dollars in newer, safer, and more efficient public transportation resources.



As difficult as it was to gain the resources for this first increment in its rebuilding program, the RTA now faces the even more complicated task of turning bonding authority into dollars and dollars into improvements.

In May, 1990 the RTA issued its first \$100 million worth of debt. To reach this point required nearly a year of debate, preparation, and calculation. Before issuance the RTA had to deliberate disbursement of funds with its service boards, and protection of bond-holders with financial rating agencies.

The success of these processes is reflected in both a streamlined framework for future bond issuance and the allotment of proceeds, and in the upgrading of the RTA's bond rating to AA-minus. These developments will ensure that the cost to taxpayers is minimized, and bode very favorably for the success of the 1990-1994 capital program.

This first \$100 million will be dedicated primarily to upgrading of the RTA's aged rolling stock, the system's first and most obvious need.

The CTA, for instance, operates the nation's oldest bus fleet. Of its 2,200 buses approximately 70 percent are at or beyond the industry-accepted useful life of 12 years. Metra, similarly, is pulling numerous 35-year-old rail cars with 40-year-old locomotives.

To continue to provide service, therefore, vehicle replacement is the system's first priority. Proceeds of May's bond issue will be employed, largely, in the purchase of 30 new locomotives for Metra, and 200 new CTA buses.

Although a complicated and lengthy process in its own right, such procurements remain the easiest portion of the capital program. The real difficulty

The first jobs in the RTA's rehabilitation process are the undramatic, yet extremely complex, ones of planning, and negotiating, and issuing the billion dollars in debt which will become a billion dollars in newer, safer, and more efficient public transportation resources.



lies in ongoing engineering analysis and design, and in the intricate logistical complexities of conducting major construction on working rail lines.

To rebuild a rail bridge on a working line, for example, requires construction of a temporary bridge. Furthermore, a given line can be hindered by only so many slow zones without service being significantly disrupted.

The RTA and its service boards must balance conflicting needs and demands while affecting repairs and replacements as expeditiously as possible. Before the field work can begin in earnest, then, a great deal of desk work remains.

**Florence Boone
Chairman, Pace**

"Because Pace accounts for only one percent of the total RTA capital investment, we are particularly pleased that the Legislature and the Governor have made it possible to not only rehabilitate "old" infrastructure, but for Pace to address some sorely needed suburban investments as well. As suburban employment centers expand, so do our challenges in providing transit options to move today's bigger, more diverse work force."

Professionalism

There are two certainties in the RTA's rebuilding process. The first is that the legislature will only endorse continuation of the work if this first stage is carried out efficiently and effectively. The second is that the work must be continued. As significant as \$1 billion dollars is, it remains only a fraction of the RTA's total need.

Historically, there has been considerable difficulty in completing capital projects for which funding has been appropriated. This problem was a function of the haphazardness and irregularity of transit capital funding. Since monies came from varied sources under varied criteria they could not be easily matched to capital needs. Transportation agencies, therefore, were forced to chase dollars on the provider's terms—terms that often did not address the true needs and priorities of the system in question. While dollars were being pursued, the scope of the required work changed, budgets changed, and schedules changed. Consequently, projects were not executed



in a timely fashion, and needed work went undone while needed monies sat unspent.

One of the signal accomplishments of the RTA's year of preparation was the significant reduction of these barriers. With the cooperation of the service boards, procurement procedures have been rationalized and clarified to make funds flow faster. These efforts have prepared the way for more timely obligation of larger sums, and will significantly expedite the implementation of major capital projects.

More important than these procedural refinements, however, is the existence of a stable, predictable revenue stream with which to finance the capital program. Because the RTA knows that it will have access to at least \$1 billion in bond proceeds over the next five years, it can not only plan projects, but can more confidently develop innovative financing arrangements for further construction and other initiatives. The former unpredictability of funding locked the RTA into the most conservative patterns of finance and expenditure. Securement of this certain resource allows the RTA to examine such new public transportation financing arrangements as joint development with private interests, turn-key operations, and cross-border financing.

The General Assembly's action also places the RTA in a singularly favorable position to compete for future funding from the federal government. Under the guidelines of the Bush administration's recently released National Transportation Policy, federal support of mass transportation will continue to decline. To encourage local initiative, however, the federal government has

The RTA and its service boards must balance conflicting needs and demands while affecting repairs and replacements as expeditiously as possible. Before the field work can begin in earnest, then, a great deal of desk work remains.



pledged to help those localities which demonstrate the political will to help themselves. The billion-dollar commitment of the General Assembly places Illinois and the RTA in the national vanguard.

Vision

The renewal of our vast and invaluable public transportation patrimony is an undertaking of the utmost importance—for the six-county region and for the State of Illinois.

With the cooperation of the service boards, procurement procedures have been rationalized and clarified to make funds flow faster. These efforts have prepared the way for more timely obligation of larger sums, and will significantly expedite the implementation of major capital projects.

After four decades of decline, during which the private automobile became the nation's overwhelmingly dominant transportation mode, mass transit is again not only relevant, but essential. While in 1970 it might have seemed that public transportation's day had passed, in 1990 it seems only now to be approaching its potential. Powerful societal trends are conspiring to make public transportation more important than ever before.

The first of these is the increasingly debilitating effect of traffic congestion on our economic vitality and quality of life. In 1988 automobiles spent more than 922 million hours in traffic delays that translate directly into reduced productivity. Without major changes, this loss is expected to grow to some four billion hours per year by 2005. An alternative to the automobile must be found in our increasingly crowded metropolitan regions.

Secondly, fossil fuels are not only limited in supply, but environmentally harmful. Environmental concerns have become so acute that even Southern California, certainly the most auto-dependent metropolitan area in the United States, has passed stringent legislation requiring the development of alternative forms of transportation more conducive to the public welfare.

Clearly, at least partial solutions to both of these crucial problems lie in public mass transportation. Northeastern Illinois is blessed in this regard with a pre-existent transit system among the best and most extensive in the world. These vital assets are, however, also among the world's oldest. While it is essential that we in public transportation fashion new solutions to the new problems we face, our first priority must be the timely restoration of our existing resources.

Since its reorganization in 1983, the RTA and its service boards have demonstrated, very clearly, that public transportation can work. In 1989, the RTA once again outperformed its budgetary goals and exceeded its statutory 50 percent farebox recovery ratio. By opening its system to the physically disabled, the RTA is now serving a broader constituency than ever before and, thanks to organizational improvements, it is doing so more efficiently than ever before.

Through nearly two decades of prudent and insightful action, the Illinois legislature has salvaged, stabilized and, now, strengthened public mass transportation to meet a new and expanded role in the future of the region and the State. The RTA commends the legislature for its clear-sighted commitment to the maintenance of public transportation and the great benefits it offers both users and non-users.

1989 was a year of building for the RTA—of building mechanisms and relationships which will allow for the more tangible building to follow—that which will make of a deteriorating, urban transportation system of the 19th Century, a healthy and modern resource for the integrated region of the 21st.



**PRO FORMA COMBINING ANNUAL FINANCIAL REPORT
OF THE RTA AND SERVICE BOARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1989**



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Mr. Gayle M. Franzen
Chairman
Regional Transportation Authority
One North Dearborn Street
Chicago, Illinois 60602

We are pleased to present the Pro Forma Combining Annual Financial Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the Fiscal Year Ended December 31, 1989. The purpose of this report is to fulfill the requirements of Section 4.05 of the RTA Act. This report presents the operations of our transit system in the aggregate and not as individual components. It allows you to see the magnitude of the resources on hand and in use for mass transportation in the Northeastern Illinois Region.

The Pro Forma Combining Financial Statements have not been audited, but their compilation has been reviewed by the RTA's independent certified public accountants. The individual financial statements of each of the entities have been audited by independent accountants. These reports are available upon request.

The significant accomplishments related to fiscal 1989 for the region as a whole include:

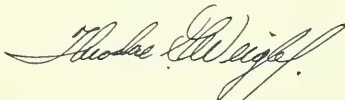
- The region-wide system generated revenue recovery ratio of 52.28% for 1989 was 1.16% lower than 1988 performance of 53.44%, but exceeded the budgeted recovery ratio by 1.82 points.
- 1989 operating revenues of \$558.1 million represents an increase of 4.69% over 1988.
- 1989 operating expenses, excluding depreciation, increased 3.69% over 1988 operating expenses.
- Sales tax revenues for 1989 increased to \$430.0 million from \$418.8 million in 1988, or 2.67%.
- Total 1989 revenues and expenses were favorable to budget by 2.52% and 1.68% respectively.

Finally, it is important to note that on a combining basis, the RTA and the Service Boards completed 1989 in a favorable financial position for the sixth consecutive year since the reorganization of the RTA system.

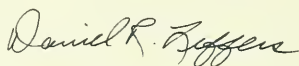
This record of sound financial management provides a solid foundation upon which we can build with confidence for the future. In fact, it is fundamental to our plans for rehabilitating the Region's public transportation infrastructure through the issuance of RTA debt. Our record of financial performance will significantly reduce the ultimate cost of this undertaking by lowering the interest rate at which the RTA borrows funds. This benefit is already being reflected in the credit markets as Standard & Poor's recently upgraded the RTA from an "A" credit to a "AA-," one of the highest ratings of a public transportation entity in the country.

We are proud of our financial condition and of the progress of public transportation in Northeast Illinois. We continue to be committed to fiscal prudence and planning to ensure continuation of favorable fiscal performance. We thank you for your ongoing interest and support. The commitment and leadership of the Chairman and the Board of Directors is fundamental to the success of public transportation in Northeastern Illinois and is greatly appreciated.

Sincerely,



Theodore G. Weigle, Jr.
Executive Director



Daniel R. Leffers
Assistant Executive Director,
Budget and Finance



Board of Directors
Regional Transportation Authority
Chicago, Illinois

May 29, 1990

We have audited the combined financial statements of the Regional Transportation Authority (Authority), the financial planning and oversight agency for regional transit operations, as of and for the year ended December 31, 1989, and have issued our report thereon dated April 16, 1990. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above which reflect total assets and revenues constituting 16% and 58% respectively, of the pro forma combined totals of the Regional Transportation Authority; the Chicago Transit Authority; the Northeast Illinois Railroad Corporation (Commuter Rail Division); and the Suburban Bus Division - PACE, referred to herein as the Service Boards, present fairly, in all material respects, the financial position of the Regional Transportation Authority at December 31, 1989, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

As to the financial statements of the Chicago Transit Authority, the Northeast Illinois Railroad Corporation (Commuter Rail Division), and the Suburban Bus Division - PACE (the Service Boards), we were furnished with the reports of other auditors on their audits for 1989. The auditors' reports on the Service Boards were unqualified.

We have checked, as to compilation only, the pro forma combining balance sheet of the Regional Transportation Authority and the Service Boards as of December 31, 1989, the pro forma combining statement of revenues and expenditures, the pro forma combining statement of changes in public investment and fund balance and the pro forma combining statement of cash flows for the year then ended. In our opinion, based on our audit and on the reports of the other auditors, the pro forma combining financial statements referred to above have been properly compiled on the basis described therein.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of the Regional Transportation Authority taken as a whole. The accompanying pro forma combining region-wide statement of revenues and expenditures and pro forma combining region-wide budgetary basis statement are presented for purposes of additional analysis and are not a required part of the financial statements of the Regional Transportation Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit and on the reports of the other auditors, has been properly compiled on the basis described therein.

The accompanying statistical data is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such statistical data.

Deloitte & Touche

**Regional Transportation Authority And Service Boards
Pro Forma Combining Balance Sheet**

December 31, 1989

(in thousands)

Assets	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Pro Forma Combined Balance
Current Assets:							
Cash and investments:							
Restricted	\$93,363	\$46,182		\$3,488			\$143,033
Unrestricted	106,854	12,934	\$70,677	7,763			198,228
Receivables:							
Sales tax	83,078						83,078
Interest - on sales tax	248						248
Reduced fare reimbursement	16,090						16,090
Interest on investments	4,370						4,370
Due from other expenses	1,054						1,054
Due from CRD	45,410					\$45,410	0
Other receivables	137	9,513	6,515	1,520		2,171	15,514
Grant projects		7,820	16,585	4,852			29,257
Financial assistance - RTA		52,618	28,507	12,073		93,198	0
Other carriers			5,103	29			5,132
Materials and supplies		55,416	5,161	3,083			63,660
Prepaid expenses	285	4,730	358	293			5,666
Total Current Assets	<u>350,889</u>	<u>189,213</u>	<u>132,906</u>	<u>33,101</u>	<u>0</u>	<u>140,779</u>	<u>565,330</u>
Fixed Assets:							
Plant, property and equipment	2,942	1,564,577	827,642	145,416			2,540,577
Construction in progress			2,955	3,157			6,112
Less: accumulated depreciation		(589,198)	(179,266)	(50,989)			(819,453)
Total Fixed Assets	<u>2,942</u>	<u>975,379</u>	<u>651,331</u>	<u>97,584</u>	<u>0</u>	<u>0</u>	<u>1,727,236</u>
Other Assets:							
Investments relating to employee deferred compensation		113,850	6,846				120,696
Other		4,924					4,924
Amount available in debt service fund	4,662						4,662
Amount to be provided for retirement of general long-term debt	25,343						25,343
Total Other Assets	<u>30,005</u>	<u>118,774</u>	<u>6,846</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,625</u>
Total Assets	<u>\$383,836</u>	<u>\$1,283,366</u>	<u>\$791,083</u>	<u>\$130,685</u>	<u>\$0</u>	<u>\$140,779</u>	<u>\$2,448,191</u>

The accompanying notes to the pro forma combining financial statements are an integral part of this statement.

Regional Transportation Authority And Services Boards
Pro Forma Combining Balance Sheet

December 31, 1989

(in thousands)

Liabilities, Public Investment & Fund Equity	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Pro Forma Combined Balance
Current Liabilities:							
Vouchers Payable	\$230	\$46,925	\$22,691	\$8,366			\$78,212
Payable to Service Boards:							
Operating assistance	5,638				\$5,638		0
Capital grants	2,871				2,871		0
Sales tax	70,617				70,617		0
Interest on sales tax	211				211		0
Reduced fare reimbursement	16,090				16,090		0
Due to other funds	1,054						1,054
Accrued other expenses	966	57,881	16,395	2,003			77,245
Deferred operating assistance		3,664			3,664		0
Deferred revenue		4,087	2,235				6,322
Injury and damage reserve	2,844	9,400		1,774			14,018
Advance, deposits and other liabilities		29,489		193	8		29,674
Financial assistance to other carriers			1,475	884			2,359
Current obligation - RTA			13,580		13,580		0
Total Current Liabilities	100,521	151,446	56,376	13,220	112,679	0	208,884
Long-Term Liabilities:							
General Obligation Series							
1986A Bonds	30,005						30,005
Injury and damage reserve		37,581	17,455	3,595			58,631
Employees' deferred compensation plan		113,850	6,846				120,696
Accrued benefits		10,593					10,593
Accrued pension cost		121,420					121,420
Long-term obligation - RTA			31,830		31,830		0
Other long-term liabilities		7,223		639			7,862
Total Long-Term Liabilities	30,005	290,667	56,131	4,234	31,830	0	349,207
Total Liabilities	130,526	442,113	112,507	17,454	144,509	0	558,091
Public Investment and Fund Equity:							
Contributed Capital	43,500	1,001,999					1,045,499
Investment in general fixed assets	2,942						2,942
Retained earnings	288						288
Fund Balance:							
Capital grants:							
Reserved for 87 and prior	40,844						40,844
Reserved for 88 and 89	122,951						122,951
Reserve for debt service	6,332						6,332
Available for current appropriations	36,453			12,326			48,779
Public Investment, net of depreciation			678,576	100,905	514,243	517,973	783,211
Accumulated deficit		(160,746)					(160,746)
Total Public Investment and Fund Equity	253,310	841,253	678,576	113,231	514,243	517,973	1,890,100
Total Liabilities,Public Investment and Fund Equity	\$383,836	\$1,283,366	\$791,083	\$130,685	\$658,752	\$517,973	\$2,448,191

The accompanying notes to the pro forma combining financial statements are an integral part of this statement.

Regional Transportation Authority and Service Boards
Pro Forma Combining Statement of Revenues and Expenditures

For the Fiscal Year Ended December 31, 1989

(in thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Pro Forma Combined Balance
Revenues:							
Passenger fares		\$318,294	\$64,485	\$12,066			\$394,845
Other		31,557	20,306	6,379			58,242
RTA financial assistance		319,867	143,963	50,413	\$514,243		0
Sales tax	\$429,988						429,988
Interest on sales tax	1,570						1,570
Federal operating assistance	49,602						49,602
PTF		107,294					107,294
State reduced fare reimbursement	16,090						16,090
Investment income	14,940						14,940
Other grants and reimbursement	265						265
Total Revenues	619,749	669,718	228,754	68,858	514,243	0	1,072,836
Expenditures:							
Operating expenses		677,145	190,741	64,960			932,846
Depreciation		59,464	32,358	10,444			102,266
Operating grants to Service Boards	496,878					496,878	0
Capital grants to Service Boards	40,110					18,795	21,315
New initiatives to Service Boards	1,463					1,463	0
Reduced fare reimbursement to Service Boards	16,090						16,090
Sales tax interest to Service Boards	1,335						1,335
Administration	4,315						4,315
Regional expenses	6,580						6,580
Debt service	40,111						40,111
Fixed assets additions	176						176
Total Expenditures	607,058	736,609	223,099	75,404	0	517,136	1,125,034
Net Revenues (Expenditures)							
Before Depreciation Exclusion and capital farebox financing	12,691	(66,891)	5,655	(6,546)	514,243	517,136	(52,198)
Depreciation exclusion		54,949	32,358	10,444			97,751
Capital farebox financing			(6,609)				(6,609)
Net Revenues (Expenditures)	\$12,691	(\$11,942)	\$31,404	\$3,898	\$514,243	\$517,136	\$38,944

The accompanying notes to the pro forma combining financial statements are an integral part of this statement.

Regional Transportation Authority And Service Boards
Pro Forma Combining Statement of Changes in Public Fund Investment and Fund Balance

For the Fiscal Year Ended December 31, 1989

(in thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Pro Forma Combined Balance
Balance at December 31, 1988	\$240,443	\$863,897	\$580,296	\$106,544			\$1,791,180
Net revenues (expenditures) exclusive of depreciation	12,691	(11,942)	38,013	3,898	\$514,243	\$517,136	45,553
Additions (retirement) of general fixed assets	176			(2,329)			(2,153)
Combining adjustment to public investment, net of depreciation						837	837
Contributed capital-grant assets:							
Urban Mass Transportation							
Administration		34,430	70,065	7,960			112,455
Illinois Department of Transportation		4,234	17,172	1,433			22,839
RTA and other		5,583	5,388	6,941			17,912
Current year depreciation on other capital assets		(54,949)	(32,358)	(10,444)			(97,751)
Adjustment for equity buyout of previously contributed capital assets				(772)			(772)
Balance at December 31, 1989	<u>\$253,310</u>	<u>\$841,253</u>	<u>\$678,576</u>	<u>\$113,231</u>	<u>\$514,243</u>	<u>\$517,973</u>	<u>\$1,890,100</u>

The accompanying notes to the pro forma combining financial statements are an integral part of this statement.

Regional Transportation Authority And Service Boards
Pro Forma Combining Statement of Cash Flows

For the Fiscal Year Ended December 31, 1989

(in thousands)

	RTA Joint Self Insurance Fund	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Pro Forma Combined Balance
Cash Flows From Operations:					
Net revenues (expenses)-					
before financial assistance	\$46	(\$386,758)	(\$138,308)	(\$56,959)	(\$581,979)
Reconciling adjustments:					
Depreciation		59,464	32,358	10,444	102,266
Amortization	587				587
Provision for claims, net		(1,415)	2,848	516	1,949
Change in assets and liabilities:					
(Increase) in accounts receivable	(72)	(4,686)	(4,434)	(656)	(9,848)
(Increase) in materials and supplies		(4,122)	(66)	(256)	(4,444)
Decrease in prepaid expenses			156	16	172
Increase in accounts payable	89	8,695	4,080	2,636	15,500
(Decrease) in deferred operating assistance		(14,895)			(14,895)
Increase in advance and deposits		10,150			10,150
Increase in other accrued expenses		6,709	2,292	108	9,109
Increase in financial assistance payable - other carriers			938	463	1,401
Net cash provided by (used in) operating activities	<u>650</u>	<u>(326,858)</u>	<u>(100,136)</u>	<u>(43,688)</u>	<u>(470,032)</u>
Cash Flow from Capital and Related Financing					
Activities:					
Contributed capital	2,500				2,500
Financial assistance - operating		319,867	143,963	50,413	514,243
(Increase) in net financial assistance receivables		(15,837)	(2,064)	(3,853)	(21,754)
Grants for capital improvements		44,249	92,266	16,320	152,835
(Increase) decrease in accounts receivable - grant projects		8,380	(623)	(3,552)	4,205
Additions to transportation property		(44,207)	(116,714)	(21,918)	(182,839)
(Decrease) in other long-term liabilities		(1,545)	(6,790)		(8,335)
Other		(3,588)			(3,588)
Net cash provided by capital and related financing activities	<u>2,500</u>	<u>307,319</u>	<u>110,038</u>	<u>37,410</u>	<u>457,257</u>
Net increase in cash and investments	3,150	(19,539)	9,902	(6,278)	(12,765)
Cash and investments at beginning of year	40,396	78,655	60,775	17,529	197,355
Cash and investments at end of year	<u>\$43,546</u>	<u>\$59,116</u>	<u>\$70,677</u>	<u>\$11,251</u>	<u>\$184,590</u>

The accompanying notes to the pro forma combining financial statements are an integral part of this statement.

Note 1 - Organizational Structure

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act. The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. At that time, the RTA made grants to the CTA, which provided the bus and rapid transit service in Chicago and some adjacent Cook County suburbs. However, in 1983 the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA: A Commuter Rail Division ("METRA"), and a Suburban Bus Division ("Pace"), each having its own independent board. These divisions conduct operations and deal with subsidized carriers.

The RTA Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA's system as a whole achieves annually a "system generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of the transportation services. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has financial oversight responsibility for the budgets and financial performance monitoring of the CTA, METRA and Pace.

CTA

The Chicago Transit Authority ("CTA") was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

METRA

The Northeast Illinois Regional Commuter Railroad Corporation, a public corporation acting under the service name of METRA, was established in 1980 to serve as the RTA's commuter rail division. METRA has the responsibility for controlling finances of the Commuter Rail Division, policymaking with respect to actual day-to-day operations, capital investments, fare levels, and service and facilities planning for its operations. METRA is directly responsible for the operation and management of the commuter services of the Rock Island, Milwaukee Road and Metra Electric and Heritage Corridor commuter rail lines (formerly the Illinois Central Gulf Commuter lines). METRA also has responsibility for administration of all commuter rail activities in the Metropolitan Chicago area including deficit funding and capital grant application and administration activities. Deficit funding operations arise from purchase of service agreements with the participating Chicago commuter rail carriers including: Chicago and NorthWestern Transportation Company; Burlington Northern Railroad Company; Norfolk Southern Railway Company; and Chicago, South Shore and South Bend Railroad/Northern Indiana Commuter Transportation

District. Under these agreements, METRA funds the commuter related operating deficits (as defined) of these carriers in addition to providing for certain direct expenses such as fuel, electricity and insurance coverage considered "in kind assistance." The title to the roadway and structure assets of these carriers, other than capital improvements funded by Federal, State and Local grants and by METRA generated funds, is vested with the carriers and, accordingly, such assets are not reflected in these financial statements.

Pace

Independent operations of Pace commenced July 1, 1984. The Pace Board is empowered to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

Pace determines the level, nature and kind of public transportation services that should be provided in the suburban region.

The RTA, Commuter Rail Division and Suburban Bus Division are reported on a calendar year basis, with a fiscal year ended December 31, 1989. The Chicago Transit Authority's fiscal year was January 1, 1989 through December 30, 1989. All statements enclosed herewith are based on each entity's fiscal year.

Note 2 – Reporting Entity

Government accounting and financial reporting standards as established by Statement 3 and Interpretation 7, "Defining the Governmental Reporting Entity," issued by the National Council of Governmental Accounting and adopted by the Governmental Accounting Standards Board, require disclosure in the notes of governmental financial statements of the results of applying Statement 3 and Interpretation 7 criteria to specific affiliation organizations. The assets, liabilities, revenues, and expenditures of all affiliated organizations determined to be part of a governmental reporting entity generally must be included on the face of its financial statements. Thus, it is necessary to determine whether METRA, Pace and the CTA are part of the RTA Statement 3 and Interpretation 7 reporting entity.

The basic criteria for determining whether an affiliated organization is part of a governmental reporting entity is the exercise of oversight responsibility. The Statement sets forth various manifestations of oversight responsibility (responsibility for debt, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, etc) which indicate that an affiliated organization should be included within the reporting entity.

An affiliated organization generally should be included within a governmental reporting entity, regardless of the degree of oversight responsibility, if its activities are (1) for the benefit of the reporting entity and/or its residents, (2) conducted within the geographic boundaries of the reporting entity, and (3) generally available to the citizens of the reporting entity.

In the judgement of the management of each of the entities and with the concurrence of their auditors, analysis and application of Statement 3 and Interpretation 7 criteria indicate that, while the RTA does exercise some fiscal oversight, METRA, Pace and the CTA are not part of the RTA reporting entity for purposes of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards. Accordingly, financial statements for METRA, Pace and the CTA are not included or combined with the RTA's financial statements. They are combined, however, in this Pro Forma Combining Annual Financial Report. The Pro Forma Combining Annual Financial Report is a statutorily required report and is not required under governmental accounting and financial reporting standards.

In arriving at this conclusion, the following factors were considered;

- The CTA, METRA, and Pace maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including: ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The CTA, METRA and Pace are also responsible for the purchase of services and approval of contracts relating to their operation.
- The RTA Board has control neither in the selection or appointment of any Service Board director nor of any of its management. Further, directors of the CTA, METRA and Pace are excluded, except for the Chairman of the Chicago Transit Board who is also an RTA Board member, from serving on more than one entity's board of directors, including that of the RTA.
- METRA, Pace and the CTA provide services to different geographic areas within the six county region. METRA provides transit service to the six county area with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities with limited service to areas within the City of Chicago. The CTA provides service to the City of Chicago and thirty-eight neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a majority of those taken.

NOTE 3 – Summary of Significant Accounting Policies

The accounting policies of the RTA, CTA, METRA and Pace conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Fund Accounting

The RTA maintains its records using a governmental fund accounting model consisting of a General Fund, a Debt Service Fund, a Joint Self-Insurance Fund, and an Agency Fund. All govern-

ment funds and the Agency Fund are accounted for using the modified accrual method of accounting, i.e. revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred. The Joint Self-Insurance Fund is accounted for on the accrual method of accounting. Fixed asset transactions are accounted for in the General Fixed Assets Account Group. Long-term liabilities are accounted for in the General Long-Term Debt Account Group. For the purpose of these pro forma statements, all RTA funds are combined, where appropriate.

The Service Boards are accounted for on a proprietary fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these pro forma combining financial statements, Service Board financial statements are combined with those of the RTA.

Cash and Investments

All investments are recorded at cost, which approximates market value.

Fixed Assets

All fixed assets are recorded at cost. In calculating depreciation, each of the Service Boards uses the straight-line method. The estimated useful lives vary depending on the type of fixed asset.

Material and Supply Inventories

Each of the Service Boards record their inventory at the lower of cost or market. CTA and METRA use the average cost method to determine the cost base. Pace uses the first-in, first-out method to determine cost.

Compensated Absences

All four entities have recorded a liability for vested vacation time in the year the time was earned.

Revenues

The region has five principal sources of revenue and other financing sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes, and use taxes (collectively, "Sales Taxes"); (3) funds appropriated to the RTA by statute through the State's Public Transportation Fund established under the Act; (4) funds in respect of state or federal grants, loans, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (5) investment income and other miscellaneous revenue.

Intergovernmental grant revenues are recognized when qualifying expenditures have been incurred in accordance with the grant award.

Fare Box Revenue

A major source of revenue to the Service Boards is fares collected from riders. Each entity has its own fare structure and method for collection of fares.

Taxes

Sales Taxes are imposed by the RTA and collected by the Illinois Department of Revenue for the RTA pursuant to the Act, in the amount of 1% within Cook County, of: (i) the gross receipts of such sales made; (ii) the "cost price" of tangible personal property used within Cook County; and (iii) the selling price of tangible personal property used within Cook County. In addition, a sales tax of 0.25% is imposed on the items referred to in the preceding clauses (i)-(iii) in the "collar" counties of DuPage, Kane, Lake, McHenry, and Will.

All such taxes are collected by retailers and remitted to the Illinois Department of Revenue by the end of the month following the month of sale (the liability month). The taxes are paid to the Treasurer of the State of Illinois in trust for the RTA. By the 25th day of each month, the Department of Revenue is required to certify to the State Comptroller the amount required to be paid to the RTA. Within 10 days after such certification, the Comptroller is required to order payment of such amount to the RTA.

The Act provides that the RTA withhold 15% of the tax revenues generated, and these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected Within Chicago	Collected Within Cook County Outside Chicago	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100%	30%	-
METRA	-	55%	70%
Pace	-	15%	30%

The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

Public Transportation Fund (PTF)

In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's general revenue fund to a special fund in the State Treasury designated the "Public Transportation Fund" an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be gasoline or parking taxes) imposed by the Board. These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the Public Transportation Fund through its 1990 fiscal year which will end June 30, 1990.

None of the revenues from the Public Transportation Fund are payable to the RTA unless and until it certifies to the Governor, State Comptroller, and Mayor of the City

of Chicago that the RTA has adopted a budget and financial plan as called for by the Act.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's Public Transportation Fund are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Federal Operating Assistance Grant

A grant is provided to the RTA under Section 9 of the Federal Urban Mass Transportation Act. The revenue is recognized on the modified accrual basis in the year funds are actually received based upon final approval of the grant. All funds received under this grant are "passed through" to the Service Boards.

Reduced Fare Reimbursement

In 1989, the Legislature appropriated funds for a program under which the Illinois Department of Transportation is authorized to provide to the RTA a reduced fare reimbursement grant of \$35 million for the purpose of reimbursing the Service Boards for actual revenue losses attributable to reduced fares for students, handicapped persons and the elderly covering a period between July 1, 1989 and June 30, 1990. The revenue is recognized on the modified accrual method when the amount is requested from the Illinois Department of Transportation.

Reclassifications

CTA, METRA and Pace have made certain reclassifications to 1988 balances to conform with 1989 statement presentation.

Combining Adjustments

Inter-agency receivables, payables, revenues, expenses and expenditures have been eliminated in accordance with generally accepted accounting principles. There are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these pro forma combining financial statements, such differences are recorded as combining adjustments to public investment.

Note 4 – Budget and Budgetary Accounting

Section 4.01(a) of the RTA Act requires the RTA prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The budget is comprehensive and includes the activity in all funds.

The annual budget and related appropriations are prepared in conformity with generally accepted accounting principles except for capital grants, which are budgeted for on a project basis which normally exceeds one year. RTA expenditures may not exceed budgeted appropriations except by RTA Board approval. All appropriations lapse at year-end. During the year, several supplementary appropriations were passed.

It is the policy of the RTA to fund the budgets of the Service Boards, up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

1. The first source of funds to be credited against the budgeted funding amount is from UMTA operating assistance grants;
2. The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
3. The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and
4. The fourth source of funds credited against the budgeted funding amount is from RTA 15% and other discretionary receipts.

For capital expenditures, the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of a grant agreement governing such capital expenditures.

Note 5 – Leases

RTA and METRA hold operating leases which are primarily for rent expense on the facilities they occupy. Pace is obligated under a capital lease for paratransit buses.

Note 6 – Commitments and Contingencies

Each of the entities has various commitments that have arisen in the normal course of operations. None are expected to have a material adverse impact on their financial position as presented.

Each of the entities has also established liabilities for potential legal judgements to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the Service Boards over certain established limits.

Note 7 – Cash and Investments

The applicable statutory provisions governing the investment of public funds are found in Ill. Rev. State. Ch. 85, Sec. 901, et. seq. Each of the four entities also has established its own investment policy which is in line with the State Statute, or in some cases more restrictive.

Note 8 – Deferred Compensation

Each of the entities offers a deferred compensation plan to its employees. RTA, CTA and METRA have plans created in accordance with Internal Revenue Code Section 457. METRA and Pace also offer 401(K) plans.

In each Section 457 plan, all amounts deferred, all property or rights purchased with such amounts, and all earnings on such investments are unrestricted assets of the entity until paid to the participant. The participants rights under the plan are equal to those of general creditors, although none of the entities plans to use these assets to satisfy liabilities.

Note 9 – Pension

All eligible employees of the four entities are covered under a pension plan. RTA employees, as well as non-union employees of Metra and Pace are covered under the RTA Pension Plan which is a multi-employer non-contributory defined benefit cost sharing plan. The union employees of Metra and Pace are covered under various other plans as are required by their collective bargaining agreements.

The employees of CTA are generally covered by the Employees Retirement Plan, governed by the terms of the employees collective bargaining agreement.

Note 10–Long-term Debt

Changes during the year in long-term debt of the RTA were as follows:

	General Obligation Notes	General Obligation Bonds	Total
Long-term obligation at December 31, 1988	\$32,200,000	\$33,480,000	\$65,680,000
Current maturities and retirements	<u>(32,200,000)</u>	<u>(3,475,000)</u>	<u>(35,675,000)</u>
Long-term obligation at December 31, 1989	<u>0</u>	<u>\$30,005,000</u>	<u>\$30,005,000</u>

1987 General Obligation Notes

\$67,900,000 of 8% Series 1987A and 1987B General Obligation Notes were dated and issued July 1, 1987 to fund METRA’s purchase of the remaining commuter assets of the Chicago, Milwaukee, St. Paul and Pacific Railroad. The remaining \$32,200,000 outstanding on December 31, 1988 was paid on July 1, 1989.

An agreement dated July 14, 1987 between the RTA and METRA stipulates that METRA will repay the RTA the principal sum of \$67,900,000 in ten equal annual installments, without interest, beginning December 31, 1988, with final payment due December 31, 1997. In September 1987, Metra repaid RTA \$11.8 million with the UMTA grants which were used to retire a portion of the General Obligation Notes. The RTA forgave \$3.9 million on this receivable and accordingly made the corresponding balance of the General Obligation Note repayment with its own financial resources. In January, 1989, METRA repaid \$6.79 million. The remaining receivable from METRA at December 31, 1989 is \$45,410,000.

1986 General Obligation Bonds

On November 1, 1986, the RTA issued \$40 million General Obligation Bonds, Series 1986A, to establish a Joint Self-Insurance Fund for the RTA, CTA, METRA and Pace. The purpose of the Joint Self-Insurance Fund is to provide a source from which to pay substantial damage and other claims above retained limits payable by any of the participants arising out of personal injuries, property damage and certain other losses and damages. The Self-Insurance Agreement provides that the Joint Self-Insurance Fund is not available to pay the principal or interest on the Series 1986A Bonds.

The Series 1986A Bonds will mature on November 1 over a ten-year period and interest will be payable at rates ranging from 4.0% to 6.2% on May 1, 1987 and semi-annually thereafter on November 1 and May 1 in each remaining year.

Principal and interest requirements on the Series 1986A Bonds to maturity are set forth below:

Year	Principal	Interest	Total
1990	\$3,640,000	\$1,712,735	\$5,352,735
1991	3,820,000	1,530,735	5,350,735
1992	4,025,000	1,330,185	5,355,185
1993	4,245,000	1,108,810	5,353,810
1994	4,485,000	866,845	5,351,845
1995	4,750,000	602,230	5,352,230
1996	5,040,000	312,480	5,352,480
	<u>\$30,005,000</u>	<u>\$7,464,020</u>	<u>\$37,469,020</u>

The Series 1986A Bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The Series 1986A bonds are payable from all revenues and all other funds received or held by the Authority (except amounts in the self-insurance fund and amounts required to be held or used with respect to separate ordinance obligations), that lawfully may be used for retiring the debt.

The Series 1986A Bonds are secured by an assignment of and lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the Trustee by officials of the State of Illinois. Any amounts not needed to make the required monthly deposits for the Series 1986A Bonds or other Authority obligations, or for deposit in the Debt Service Reserve Fund, are to be paid monthly to the RTA by the Trustee.

Under the RTA Act, the CTA's, METRA's and Pace's farebox receipts and funds on hand are not available for payment of debt service on the Series 1986A Bonds.

The underwriters discount and issue expense for the 1986A Bonds totaled \$900,400. This amount was recorded as an expense in the Joint Self-Insurance Fund from 1986 thru 1988 based on the average outstanding balance of the bonds. Because management considers the bonds to be a general liability of the Authority, and since the determination of net income is not the objective of governmental funds, the balance of \$587,215 was written off during 1989.

In the Debt Service Fund, \$4,661,818 is available to service the Authority's long-term debt as of December 31, 1989. The remaining balance in this fund is reserved for interest payments.

Note 11 – Subsequent Events

During the second quarter of 1990, the Authority intends to issue \$100,000,000 of 1990 Series A general obligation bonds to finance general capital improvements to be made by the Service Boards. The bonds' effective interest rate and maturity dates are yet to be determined.

Pace did not renew a grant-financial assistance agreement which expired December 31, 1989 with the Joliet Mass Transit District. Effective January 1, 1990, a new division of Pace, the Heritage Division, took over the operations of the Joliet Mass Transit District, who appointed the City of Joliet as its agent. Pace is currently negotiating with the City of Joliet regarding final transfer of the Joliet Mass Transit District assets. In anticipation of a final transfer Pace has recognized a liability to fund the portion of Joliet's 1989 deficit that is greater than the original approved budget limit. This amount, which is \$411,437, is included in accounts payable as of December 31, 1989.

Note 12 – Region-Wide Financial Information

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation related operations in the Northeastern Illinois region. Accordingly, this region-wide information is presented on the following two pages in a pro forma combining region-wide statement of revenues and expenditures and a pro forma combining region-wide budgetary basis statement of revenues and expenditures - budget and actual.

The primary financial statements of the RTA and the Service Boards used to prepare the pro forma combining statements of revenues and expenditures do not include the aggregate of system generated revenues and costs. METRA and Pace properly net the revenues and expenses for their private carriers. The pro forma combining region-wide statement of revenues and expenditures does include, however, the aggregate of all system revenues and costs. However, the Act modifies generally accepted accounting principles to exclude certain revenues and expenses from the calculation of the region-wide system generated revenues recovery ratio.

The RTA Act, as amended, requires that the aggregate of all system generated revenues equal at least 50% of the aggregated costs of providing such public transportation. This concept is described as the "system generated revenues recovery ratio."

For 1989, the region-wide system generated revenues recovery ratio is calculated as follows:

	1989
	(in thousands)
System Generated Revenues	
CTA	\$336,683
Metra	164,224
Pace	24,073
RTA	14,014
Total System Generated Revenues	<u>\$538,994</u>
System Generated Expenses	
CTA	\$668,687
METRA	275,539
Pace	73,337
RTA	13,395
Total System Generated Expenses	<u>\$1,030,958</u>

Total system generated revenues recovery ratio equals revenues of \$539.0 million divided by a total expenses of \$1,031.0 million or 52.28%.

☐ **Supplementary Information**
Regional Transportation Authority And Service Boards
Pro Forma Combining Region-Wide Statement of Revenues and Expenditures

For the Fiscal Year Ended December 31, 1989

(in thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Pro Forma Combined Balance
Revenues:							
Passenger fares		\$318,294	\$144,451	\$21,588			\$484,333
Other		31,557	20,978	6,258			58,793
RTA financial assistance		319,867	143,963	50,413	\$514,243		0
Sales tax	\$429,988						429,988
Interest on sales tax	1,570						1,570
Federal operating assistance	49,602						49,602
PTF		107,294					
107,294							
State reduced fare reimbursement	16,090						16,090
Investment income	14,940						14,940
Other grants and reimbursement	265						265
Total Revenues	619,749	669,718	309,392	78,259	514,243	0	1,162,875
Expenditures:							
Operating expenses		677,145	277,988	74,361			1,029,494
Depreciation		59,464	32,358	10,444			102,266
Operating grants to Service Boards	496,878					496,878	0
Capital grants to Service Boards	40,110					18,795	21,315
New initiatives to Service Boards	1,463					1,463	0
Reduced fare reimbursement to Service Boards	16,090						16,090
Sales tax interest to Service Boards	1,335						1,335
Administration	4,315						4,315
Regional expenses	6,580						6,580
Debt Service	40,111						40,111
Fixed assets additions	176						176
Total Expenditures	607,058	736,609	310,346	84,805	0	517,136	1,221,682
Net Revenues (Expenditures)							
Before Depreciation Exclusion	12,691	(66,891)	(954)	(6,546)	514,243	517,136	(58,807)
Depreciation exclusion		54,949	32,358	10,444			97,751
Net Revenues (Expenditures)	\$12,691	\$(11,942)	\$31,404	\$3,898	\$514,243	\$517,136	\$38,944

Regional Transportation Authority And Service Boards
Pro Forma Combining Region-Wide Budgetary Basis
Statement of Revenues and Expenditures - Budget and Actual

For the Fiscal Year Ended December 31, 1989

(in thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance	Pro Forma Region Wide Budget
					Debit	Credit		
Revenues:								
Passenger fares		\$318,294	\$144,451	\$21,588			\$484,333	\$486,248
Other		31,557	20,978	6,258			58,793	30,670
RTA financial assistance		319,867	143,963	50,413	\$514,243		0	
Sales tax	\$429,988						429,988	435,301
Interest on sales tax	1,570						1,570	
Federal operating assistance	49,602						49,602	49,602
PTF	107,294						107,294	107,000
Reduced fare reimbursement	16,090						16,090	15,300
Investment income	14,940						14,940	10,000
Other grants and reimbursements	265						265	170
Total Revenues	619,749	669,718	309,392	78,259	514,243	0	1,162,875	1,134,291
Expenditures:								
Operating expenses		677,145	277,988	74,361			1,029,494	1,020,606
Depreciation		4,515					4,515	
Operating grants to Service Boards	496,878					496,878	0	
Capital grants to Service Boards	40,110					18,795	21,315	62,105
New initiatives to Service Boards	1,463					1,463	0	1,659
Reduced Fare reimbursement to Service Boards	16,090						16,090	15,300
Sales tax interest to Service Boards	1,335						1,335	
Administration	4,315						4,315	5,513
Regional expenses	6,580						6,580	10,984
Debt service	40,111						40,111	26,650
Fixed assets additions	176						176	350
Total Expenditures	\$607,058	\$681,660	\$277,988	\$74,361	\$000,000	\$517,136	\$1,123,931	\$1,143,167

1

CHICAGO TRANSIT AUTHORITY	METRA COMMUTER RAIL DIVISION	PACE SUBURBAN BUS DIVISION
Serves the City of Chicago and 38 neighboring suburbs	1,200 miles of track 100 communities served 233 stations 133 locomotives 685 passenger cars 209 electric cars 3,617 trains operated per week 96.7% on-time performance in 1989 5.9 million riders per month	<u>Fixed Route</u> 6 public contract carriers 6 owned and operated by carriers 15 private contract carriers 134 regular routes 100 feeder routes 200 communities served 98 commuter rail and rapid transit stations served 504 vehicles in use during peak periods* 3.0 million riders per month <u>Paratransit</u> 62 local services 142 Pace owned lift-equipped buses in service 160 taxis and other non-Pace owned vehicles in service 104 thousand riders per month
<u>Rapid Transit</u> 250 miles of track 143 stations served 1,217 rapid transit cars 2,116 daily train departures 12.5 million riders per month		
<u>Motor Bus</u> 133 bus routes 2,218 buses 35.4 million riders per month		
<u>Paratransit</u> 200 non-CTA owned private operated vehicles 55 thousand riders per month		

*Includes Contract Carriers

Allocation Of Capital Funds To Northeast Illinois

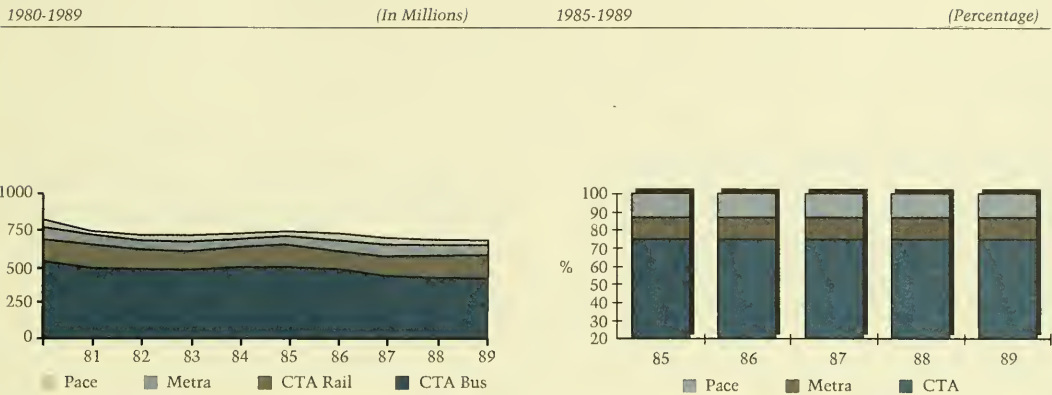
Sections 3, 9 and 23

(In millions)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	City of Chicago	RTA
1979	\$145.50	\$ 45.52	\$ 34.45	\$ 0.53	\$ 65.00	\$
1980	169.07	63.11	50.36	5.60	50.00	
1981	220.52	100.47	72.25	19.80	28.00	
1982	204.93	109.05	89.18	6.70		
1983	278.57	167.40	102.07	9.10		
1984	255.75	157.90	62.35	35.50		
1985	244.32	141.20	88.32	14.80		
1986	234.95	141.45	74.79	18.19		0.52
1987	237.24	142.90	78.14	16.20		
1988	251.50	154.18	78.71	18.61		
1989	248.46	165.89	62.63	19.94		
Total	\$2,490.81	\$1,389.07	\$793.25	\$164.97	\$143.00	\$0.52

System Ridership

Revenue Miles



Unlinked Passenger Trips

Last Ten Calendar Years

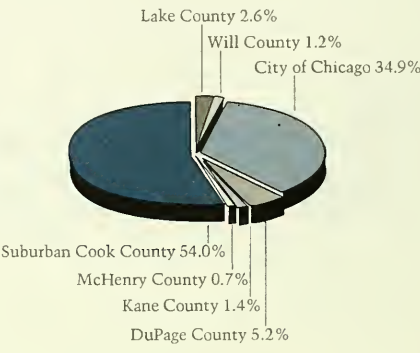
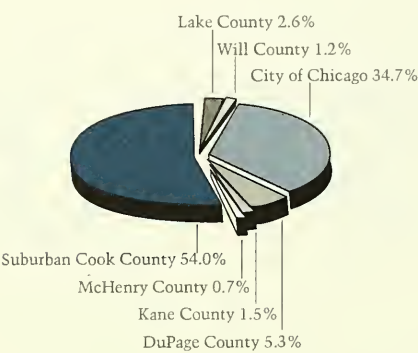
(In millions)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CTA	696.6	643.3	616.1	614.6	638.2	644.4	610.9	586.3	574.9	568.6
Commuter Rail	81.9	70.4	60.5	59.2	62.1	64.5	64.6	66.7	69.9	71.2
Suburban Bus	38.2	27.4	27.7	31.2	36.1	38.4	36.1	35.6	36.7	37.9
Total	816.7	741.1	704.3	705.0	736.4	747.3	711.6	688.6	681.5	677.7
Percent Change	(1.2%)	(9.3%)	(5.0%)	0.1%	4.5%	1.5%	(4.8%)	(3.2%)	(1.0%)	(.6%)

Sales Tax Revenues Source By County/City Of Chicago

1988

1989



Retailers' Occupation and Use Tax (Sales Tax) Revenues by County

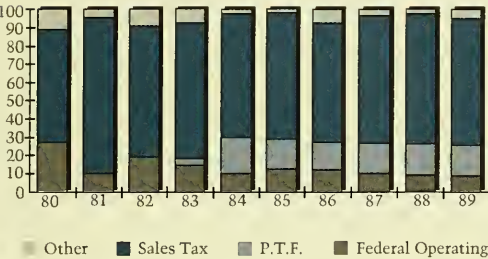
Last Eight Fiscal Years
(In Thousands)

Location of Retailer	12 Months Ended 09/30/82	% of Total	15 Months Ended 12/31/83	% of Total	12 Months Ended 12/31/84	% of Total	12 Months Ended 12/31/85
City of Chicago	\$113,505	40.76	\$147,532	39.17	\$119,322	36.34	\$123,955
Suburban Cook County	138,729	49.82	191,761	50.92	175,446	53.43	182,773
DuPage County	12,136	4.36	17,528	4.66	15,737	4.79	16,993
Kane County	3,479	1.25	4,948	1.31	4,431	1.35	4,615
Lake County	5,766	2.07	8,174	2.17	7,452	2.27	7,936
McHenry County	1,619	0.58	2,235	0.59	2,152	0.65	2,088
Will County	3,236	1.16	4,435	1.18	3,837	1.17	4,081
Total retailer's occupation and use tax (sales tax) revenue	\$278,470	100.00	\$376,613	100.00	\$328,377	100.00	\$342,441

*Tax was first effective on November 1, 1979.

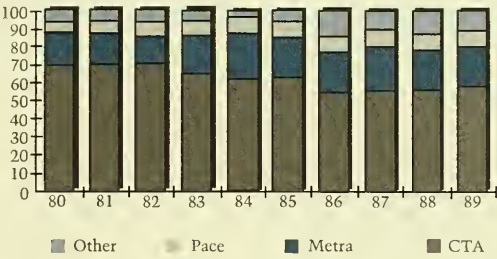
Distribution Of Revenues

1980-1989
(Percentage)



Distribution Of Expenses

1980-1989
(Percentage)



% of Total	12 Months Ended 12/31/86	% of Total	12 Months Ended 12/31/87	% of Total	12 Months Ended 12/31/88	% of Total	12 Months Ended 12/31/89	% of Total
36.20	\$132,201	35.87	\$136,920	35.43	\$146,037	34.87	\$149,095	34.67
53.37	197,363	53.54	207,453	53.68	226,332	54.05	232,262	54.02
4.96	18,615	5.05	19,769	5.12	21,845	5.22	22,734	5.29
1.35	4,927	1.34	5,427	1.41	5,927	1.42	6,201	1.44
2.33	8,798	2.39	9,696	2.51	10,702	2.56	11,314	2.63
0.61	2,305	0.63	2,524	0.65	2,867	0.68	3,059	0.71
1.18	4,370	1.18	4,650	1.20	5,042	1.20	5,323	1.24
100.00	\$368,579	100.00	\$386,439	100.00	\$418,752	100.00	\$429,988	100.00

Legal Debt Capacity

RTA

Legal Debt Margin:

Debt limitation per Act for General Obligations		\$1,000,000,000
Debt applicable to limitation:		
1986A General Obligation Bonds	\$30,005,000	
Less: Amount available for repayment	<u>(4,661,818)</u>	
Total debt applicable to limitation		<u>25,343,182</u>
Debt Margin for General Obligations		974,656,818
Debt limitation per Act for Working Cash Notes		<u>100,000,000</u>
Total Legal Debt Margin		<u>\$1,074,656,818</u>

Revenue Test:

Sales Tax must be 1.5 times greater than debt service requirements
Revenues available must be 2.0 times greater than debt service requirements

Debt Service Requirements for 1989 were \$26,646,865

$1.5 \times \$26,646,865 = \$39,970,298$ vs. \$429,98,071 of Sales Tax

$2.0 \times \$26,646,865 = \$53,293,730$ vs. \$618,585,799 of revenues available

CTA

Working Cash Notes	\$40,000,000
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Theodore G. Weigle, Jr.
Executive Director

Daniel R. Leffers
Director of Budget and Finance

Patricia McGuire
Controller/Treasurer

Deloitte/Touche
Certified Public Accountants

Editor
Rick Moser

Design
Michael Hickman

Production Assistance
Geraldine Walton
Justin Daub

Photography
Matt Ferguson

Prepared by the Public Affairs
and Budget and Finance
departments of the
Regional Transportation Authority
One North Dearborn Street
Suite 1100
Chicago, Illinois 60612

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